



*Report to the
Auburn City Council*

Action Item **3**

ARC

To: Honorable Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works and *BS*
Shari Conley, Administrative Technical Analyst
Date: June 9, 2014
Subject: Airport Office and Hanger Lease – John Crawford dba Sierra Air Helicopters, LLC

The Issue

Shall the City Council authorize the City Manager to execute a commercial office space lease at the Auburn Municipal Airport between the City of Auburn and John Crawford, dba Sierra Air Helicopters, LLC?

Conclusions and Recommendations

By **RESOLUTION** authorize the City Manager or his designee to execute

- A. a lease for commercial office space in the Auburn Municipal Airport Operations Building between the City of Auburn and John Crawford, dba Sierra Air Helicopters, LLC;

Background

As a means to secure aviation-based business operations at the Auburn Municipal Airport, staff has been negotiating a proposed lease for both office and hanger space with John Crawford, dba Sierra Air Helicopters LLC. Sierra Air Helicopters, a helicopter flight training business currently based at the Auburn Airport, is in need of office and hanger space in an effort to grow the business. As such, staff recommends approval of both the commercial office space lease and the aircraft storage hanger lease referenced herein.

Airport Office Space Lease

Sierra Air Helicopters has been in Suite 105 since 2008 and has expressed a desire to occupy Suite 102 in the Auburn Municipal Airport Operations Building (13626 New Airport Road, Auburn). The office space will be used as a business office and is expected to house a helicopter flight simulator. The fixed monthly rent for the office space in Suite 102 is \$200.00 per month, or approximately

\$.51 per square foot per month. Term of the lease is twelve months from June 1, 2014 to May 31, 2015.

Alternatives Available to Council; Implications of Alternatives

1. Adopt a resolution authorizing the City Manager or his designee to execute a commercial office space lease at the Auburn Municipal Airport between the City of Auburn and John Crawford, dba Sierra Air Helicopters, LLC.
2. Disapprove lease and direct staff to renegotiate a new lease.

Fiscal Impact

Execution of the lease agreements between the City of Auburn and Sierra Air Helicopters will result in \$2400 in Airport Fund Lease Revenue over the term of the office space lease. The City of Auburn's Airport Operations Technician will move into Suite 105 which John Crawford is vacating and staff will be working with prospective lease holders with council's approval to fill all other vacancies.

Budget Reference

Lease agreement and Resolution Attached

**CITY OF AUBURN
AUBURN MUNICIPAL AIRPORT**

COMMERCIAL OFFICE LEASE

BY AND BETWEEN

CITY OF AUBURN,
A MUNICIPAL CORPORATION
("CITY")

AND

John Crawford,
dba Sierra Air Helicopters, LLC
("TENANT")

**CITY OF AUBURN
COMMERCIAL OFFICE LEASE**

TABLE OF CONTENTS

	<u>PAGE</u>
1. PREMISE.....	3
2. USE OF PREMISES.....	3
3. [RESERVED].....	4
5. FIXED ANNUAL RENT.	4
6. TENANT IMPROVEMENTS.	5
7. COMPLIANCE WITH LAWS AND REGULATIONS.	5
8. USE AND/OR STORAGE OF HAZARDOUS MATERIAL.	6
9. MAINTENANCE AND REPAIRS.....	7
10. ABANDONMENT.	8
11. LIENS.	8
12. TAXES.....	8
13. UTILITIES, TRASH & REFUSE.....	9
14. INDEMNIFICATION.	10
15. INSURANCE.	10
16. INSPECTION OF PREMISES AND IMPROVEMENTS.	11
17. EVENTS OF DEFAULT BY TENANT.	11
18. RESULTS OF TENANT'S DEFAULT.....	12
19. NONWAIVER OF DEFAULTS.	12
20. SUBORDINATION FOR BENEFIT OF CITY.....	13
21. TENANT'S ENCUMBRANCE.	13
22. RIGHTS UPON TERMINATION.	13
23. SUBLETTING/ASSIGNMENT.....	13
24. EFFECT OF FAILURE TO COMPLY.	14
25. CONDEMNATION.	14
26. RIGHT TO AMEND.	15
27. COMPLIANCE WITH FEDERAL REQUIREMENTS.	16

28.	ESTOPPEL CERTIFICATES.....	17
29.	MEDIATION/ARBITRATION.....	18
A.	Mediation.....	18
B.	Arbitration.....	18
30.	CONSENT NOT TO BE UNREASONABLY WITHHELD.	19
31.	USE OF AIRPORT.	19
32.	RELATIONSHIP BETWEEN THE PARTIES.	19
33.	TIME OF THE ESSENCE.....	19
34.	LEASE MADE IN CALIFORNIA.....	19
35.	HEADINGS.....	20
36.	NOTICES.....	20
37.	SURRENDER AND MERGER.....	20
38.	SUCCESSORS AND ASSIGNS.....	20

**CITY OF AUBURN
AUBURN MUNICIPAL AIRPORT**

OFFICE LEASE

This Lease, made and entered into as of this 1st day of June, 2014, by and between the City of Auburn, a Municipal Corporation (herein called "City"), and John Crawford, dba Sierra Air Helicopters, LLC (herein called "Tenant").

WITNESSETH

For, and in consideration of, the mutual covenants hereof, City hereby leases to Tenant and Tenant hereby hires from City the Premises as hereinafter described, upon the terms and conditions hereinafter set forth.

1. Premise.

The leased premises ("Premises") consist of 13626 New Airport Road, Suite 102, Auburn, CA particularly described and shown on **Exhibit A** and Map, **Exhibit B**, made part of this Lease. The Premises are a part of real property and improvements owned by City commonly known as Auburn Municipal Airport Terminal Operations, Auburn, California.

2. Use of Premises.

A. The Premises may be used for commercial office . Any uses shall be in conformance with (i) applicable zoning regulations of the City of Auburn, (ii) laws and rules imposed by any governmental agency, including, without limitation and if applicable, the Federal Aviation Administration, and (iii) Auburn Municipal Airport Minimum Operating Standards in effect at the Effective Date and as amended from time to time during the term of this Lease. Tenant hereby acknowledges that Tenant has read and understands the Auburn Municipal Airport Minimum Operating Standards as they presently exist, on file in the Office of City Clerk, and hereby covenants to conduct its operations in compliance with said rules, as may be amended from time to time. The failure of Tenant to abide fully with each of said rules shall be a material default under this Lease; provided, however, that Tenant may cure any such default within five (5) days after written notice by City to Tenant of such default. If the cure of such default is not, in the opinion of City, reasonably susceptible of cure within five (5) days, Tenant may cure such default within 20 days of written notice by City to Tenant of such default. Notwithstanding anything to the contrary, City's third written notice of a violation of said rules shall be an immediate and material default without right of Tenant to cure.

B. Tenant agrees that the use of the Premises, the development thereof and any construction thereon shall be in accordance with the applicable provisions of city codes and ordinances and any other state or federal law, code or regulation applicable to Tenant's use.

C. Tenant shall park automobiles only in designated spaces unless otherwise granted permission.

D. Tenant shall not use or allow any person to use the Premises that constitutes waste or nuisance, or that would unreasonably annoy other occupants and lessees of facilities and buildings of the Auburn Municipal Airport.

E. City reserves the right to maintain, develop and improve the Airport as it sees fit, regardless of the desires or views of Tenant, and without interference or hindrance from Tenant.

F. City reserves the right, but shall not be obligated to Tenant, to maintain and keep in repair the Airport and all publicly owned facilities of the Airport. City reserves the right to direct and control all activities of Tenant in this regard to include restriction of Tenants use of Airport facilities.

G. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between City and the United States relative to the development, operation or maintenance of the Airport.

H. There is hereby reserved to City, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause within the said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operating on the Airport.

I. Tenant shall not make use of the Premises in any manner which might interfere with the taxiing, landing and taking off of aircraft from the Airport, or which might otherwise constitute a hazard. In the event the aforesaid covenant is breached, City reserves the right to enter upon the Premises and cause the abatement of such interference, at the expense of Tenant.

3. **[Reserved].**

4. **Term of Lease.**

The Term of this Lease shall be a period of twelve (12) months commencing at 12:01 A.M. on June 1, 2014 (the "Effective Date") and ending at 11:59 P.M. on May 31, 2014, unless terminated earlier as provided in this Lease. If Tenant holds over and continues in possession of the Premises after termination of the term of this Lease, Tenant's continued occupancy of the Premises shall be deemed merely a tenancy from month-to-month at a minimum rental of 120% of the Fixed Rent set forth in Section 5.

5. **Fixed Rent.**

Except as provided herein, Tenant shall pay to City in lawful money of the United States of America, without deduction, offset or abatement at City's principal place of business, or at such place or places, or to such person or persons as may be designated from time to time by City, the following fixed rentals for the Premises:

A. A Fixed Rent of two hundred (\$200.00) dollars per month (the "Fixed Rent") payable in a six-month advance installment on the effective date of the lease and on the first day of each and every month commencing on June 1, 2014, and continuing through the term of this Lease. All rent shall be paid by Tenant to City, in advance, at 1225 Lincoln Way, Auburn, CA, 95603, or any other place or places that City may from time to time designate by written notice given to Tenant. The

Fixed Rent includes Tenant's portion of City's common area maintenance costs, taxes and insurance, and utilities.

B. A security deposit of one-hundred fifty (\$200.00) dollars (the "Security Deposit"), consisting of the final month's rent shall be paid on the Effective Date of the Lease.

C. If any Fixed Rent payment is not received by Landlord within five days after it is due, Tenant shall pay to Landlord a late charge of six (6%) percent of the past due amount as liquidated damages, in lieu of actual damages. The parties agree that this late charge represents a reasonable estimate of the expenses that Landlord will incur because of any late payment of Fixed Rent (other than interest and attorneys' fees and costs). Landlord's acceptance of any liquidated damages shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the rights and remedies available to Landlord under this Lease. Tenant shall pay the late charge as additional rent with the next installment of rent.

6. **Tenant Improvements.**

No improvement, including landscaping, shall be erected or placed on the Premises and no alterations, including additional wiring, will be made in the improvements and facilities constructed without the prior written approval and receipt of applicable building permits of City. A copy of the City of Auburn building permit, issued for any improvements, shall be prominently displayed.

7. **Compliance with Laws and Regulations.**

A. Tenant shall, at Tenant's own cost and expense, obtain and maintain all licenses, permits, certificates or other authorizations of any governmental authority having jurisdiction thereover, including, but not limited to, the FAA, which may be necessary for the conduct of its business in the Premises. Without limiting the generality of the foregoing, Tenant shall comply with all applicable laws, resolutions, codes, rules, orders, directions, ordinances and regulations of any department, bureau or agency or any governmental authority having jurisdiction over the operations, occupancy, maintenance and use of the Premises for the purpose demised hereunder. Tenant shall indemnify and save City harmless from and against any claims, penalties, losses, damages or expenses imposed by reason of Tenant's violation of any applicable law or the rules and regulations of governmental authorities having jurisdiction thereof.

B. Tenant shall not omit or fail to do anything, or do or permit anything to be done on or about the Premises, or bring or keep anything on the Premises, or in any improvement or facility erected thereon, which will in any way conflict with any law, ordinance, rule or regulation which is now in force or which may hereafter be enacted or promulgated by any public authority having jurisdiction over the Premises.

C. Tenant shall not commit or suffer to be committed in or upon the Premises any other act or thing that may disturb any other tenant at the airport. It is understood that the normal operation of airplanes in the air, and to and from the Premises, is not considered a disturbance; provided that Tenant complies with all applicable laws, including, without limitation, FAA regulations, judicial orders and the City's rules and regulations as may be amended from time to time during the term of this Lease.

8. Use and/or Storage of Hazardous Material.

If it is necessary for Tenant or its contractors, licensees, employees, agents, customers or invitees to use Hazardous Material (as defined in Section 8.E) which will be generated, brought onto, used, stored or disposed of by Tenant, its agents, employees, contractors, subtenants or invitees, Tenant shall comply with the following provisions:

A. The use, storage and disposal of all such Hazardous Material shall be in strict compliance with applicable statutes, ordinances and regulations in effect during the term of this Lease that relate to public health and safety and the protection of the environment (“Environmental Laws”), including those Environmental Laws identified in Section 8.E.

B. If, during the Lease term (including any extensions), Tenant become aware of (i) any actual or threatened release of any Hazardous Material on, under or about the Premises or any buildings and facilities constructed thereon, or (ii) any inquiry, investigation, proceeding or claim by any governmental agency or other person regarding the presence of Hazardous Material on, under or about the Premises or any building or facility constructed thereon, Tenant shall give City written notice of the release or investigation within five days after learning of it and shall simultaneously furnish to City copies of any claims, notices of violation, reports, or other writings received or prepared by Tenant that concern the release or investigation.

C. Tenant shall, at Tenant's sole expense and with counsel reasonably acceptable to City, indemnify, defend and hold harmless City and City's employees, agents, elected officials, successors and assigns with respect to all losses arising out of or resulting from the release of any Hazardous Materials in or about the Premises or any building or facility constructed thereon, or the violation of any Environmental Law by Tenant or Tenant's agents, employees, contractors, customers or invitees. This indemnification applies whether or not the concentrations of any such Hazardous Material is material, the concentrations exceed state or federal maximum contaminant or action levels, or any governmental agency has issued a clean-up order. This indemnification includes: (i) losses attributable to diminution in the value of the Premises or any building or facility that may revert to City; (ii) loss or restriction of use of the Premises or any building or facility that may revert to the City; (iii) adverse effects on the marketing of the Premises or any building or facility that may revert to City; and (iv) all other liability, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders, or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant and expert fees and expenses) resulting from the release or violation. This indemnification shall survive the expiration or termination of this Lease.

D. If the presence of any Hazardous Material brought onto the Premises or any building or facility constructed thereon, by Tenant or Tenant's employees, agents, contractors, customers or invitees results in contamination, Tenant shall promptly take all necessary actions to remove or remediate such Hazardous Materials, whether or not they are present at concentrations exceeding state or federal maximum concentration or action levels, or any governmental agency has issued a clean-up order, at Tenant's sole expense to return the Premises or any building or facility constructed thereon, to the condition that existed before the introduction of such Hazardous Material. Tenant shall first obtain City's approval of the proposed removal or remedial action. This provision does not limit the indemnification obligation set forth in Section 8.C.

E. As used in this Section 8, the term "Hazardous Material" shall mean any hazardous or toxic substance, material or waste at any concentration that is or becomes regulated by the United States, the State of California, or any local governmental authority having jurisdiction over the Premises or any building or facility constructed thereon. "Hazardous Material" includes, but is not limited to: (i) any "hazardous substance," as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA, 42 U.S.C. Sections 9601-9675); (ii) "hazardous waste," as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA, 42 U.S.C. Sections 6901-6992k); (iii) any pollutant, contaminant or hazardous, dangerous or toxic chemical, material or substance, within the meaning of any other applicable federal, state or local law, regulation, ordinance or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous or toxic waste, substance or material now or hereafter in effect); (iv) petroleum products; (v) radioactive material, including any source, special nuclear or by-product material as defined in 42 U.S.C. sections 2011-2097g-4); (vi) asbestos in any form or condition; and (vii) polychlorinated biphenyls ("PCBs") and substances or compounds containing PCBs.

F. City shall have the right, at any time, at it's expense, to cause testing wells to be installed on or about the Premises and/or the Airport, and may, at its option, cause the ground water, soil and air to be tested to detect the presence of hazardous materials or toxic substances during the term of the Lease by the use of such tests as are then customarily used for such purposes. If Tenant so requests, City shall supply Tenant with copies of such test results. Should the tenant be responsible for the presence of hazardous materials or toxic substances, the cost of such tests and of the maintenance, repair and replacement of such wells shall be fully paid for by Tenant within 30 days after receiving a statement of charges from City.

G. City and City's agents shall have the right, with prior notice, to inspect the Premises for the purposes of ascertaining Tenant's compliance with this section. The cost of such inspections shall be reimbursed to City by Tenant.

H. Any increase in the premium for insurance carried by City or required of Tenant under this Lease on the Premises or the Airport which arises from Tenant's use and/or storage of these materials shall be solely at Tenant's expense. Tenant shall procure and maintain at its sole expense such additional insurance as may be necessary to comply with any requirement of any federal, state or local governmental agency or special district with jurisdiction.

9. Maintenance and Repairs.

A. Tenant acknowledges the Premises are in good order and repair unless otherwise indicated herein. Tenant shall at his own expense and at all times maintain the Premises and any improvements or equipment thereon in good and safe condition and repair including window glass, electrical wiring to premises, interior lighting, carpeting & floor coverings, entry doors and interior walls. If, after 30 days' notice from the City, Tenant fails to maintain or repair any part of the Premises or any improvements or equipment thereon, City may, but shall not be obligated to, enter upon the Premises and perform such maintenance or repair, and Tenant agrees to pay the costs thereof to City upon demand plus a percentage of costs incurred to sufficiently reimburse City for all overhead, fees and other costs and expenses, including attorneys' fees, arising from City's involvement with such repairs, and interest at the legal rate until paid in full.

B. City shall be responsible for repairs and maintenance of roof, exterior walls, structural foundations, plumbing and heating and air-conditioning systems.

10. Abandonment.

Tenant shall not abandon, as defined under California law, the Premises at any time during the term hereof, and if Tenant shall abandon, vacate or otherwise cease operating, any fixtures and personal property belonging to Tenant and left upon the Premises and any or all of Tenant's improvements and facilities thereon, shall, at the option of City, become the property of City.

11. Liens.

A. Tenant shall keep the Premises and all improvements thereon free from any and all liens arising out of any work performed, materials furnished or obligation incurred by Tenant, Tenant's employees, agents and contractors. City has the right at all times to post and keep posted on the Premises and any building or facility built thereon, any notice it considers necessary for protection from such liens. At least seven days before beginning construction of any improvements or alteration to any improvements on the Premises, Tenant shall give City written notice of the expected commencement date of that construction to permit City to post and record a notice of nonresponsibility. Tenant agrees to save City harmless from any liens and to pay City upon demand the cost of discharging such liens with interest at the then existing legal rate per annum from the date of discharge, together with reasonable attorneys' fees in connection with the settlement, trial or appeal of any such lien matter.

B. In the event Tenant shall fail to pay and discharge or cause to be paid and discharged, when due and payable, any tax, assessment or other charge upon or in connection with the Premises, or any lien or claim for labor or material employed or used or any claim for damages arising out of the construction, repair, restoration, replacement, maintenance and use of the Premises and any improvements thereon, or any judgment on any contested lien or claim, or any insurance premium or expense in connection with the Premises and improvements, or any other claim, charge or demand which Tenant has agreed to pay or cause to be paid under the terms of this Lease, and if Tenant, after 10 days' written notice from City to do so shall fail to pay and discharge the same, or in the event Tenant contests such tax, assessment, claim or charge and fails to post security as provided in Section 12, then City may, at his option, pay any such tax, assessment, insurance expense, lien, claim, charge or demand, or settle or discharge any action therefor, or judgment thereon, and all costs, expenses and other sums incurred or paid by City in connection with any of the foregoing shall be paid by Tenant to City upon demand, together with interest thereon at the legal rate from the date incurred or paid. Any default in such repayment by Tenant shall constitute a breach of the covenants and conditions of this Lease.

12. Taxes.

In accordance with California Revenue and Taxation Code Section 107.6(a), City states that entering into this Lease may create a possessory interest subject to property taxes. During the original term and any additional term of this Lease, Tenant or any other party in whom the possessory interest is vested shall pay prior to delinquency any taxes upon the assessed value of the entire Premises, not merely the assessed value of Tenant's estate. In addition, Tenant hereby agrees to pay or cause to be paid prior to delinquency any taxes, including possessory interest, and any assessments levied or assessed:

A. On the Premises, whether a direct levy or indirect through City and any tax in lieu of property tax;

B. On all possessory interests hereunder or in the Premises;

C. On any improvements, fixtures and equipment now or hereafter existing on the Premises and on any personal property situated in, on or about any building or improvements thereon; and

D. If at any time during the term of this Lease a tax or excise is levied on rents, Tenant shall pay the same. Also, if at any time during the term of this Lease any tax, however described, is levied or assessed against City as a substitute, in whole or in part, for any real property taxes, or in addition to such real property taxes, Tenant shall pay before delinquency the substitute or additional tax or excise. Such substitutes include, but are not limited to, any possessory interest tax imposed on Tenant by California Revenue and Taxation Code Sections 103 and 107. Tenant hereby expressly acknowledges that City has given Tenant notice that Tenant's possessory interest in the demised premises may be taxed.

E. In the event Tenant fails to pay such taxes or assessments, City may, at its option, after giving 10 days' notice to Tenant, pay any such taxes or assessments together with all penalties and interest which may have been added thereto by reason of any such delinquency or failure to pay, and may likewise redeem the Premises or any part thereof, or the buildings or improvements located thereon, from any tax sale or sales. Any such amounts so paid by City shall become immediately due and payable as additional rent by Tenant to City, together with interest thereon at the maximum lawful rate from the date of payment by City until paid by Tenant. Any such payment shall not be deemed to be a waiver of any other rights of City hereunder. Tenant may, in good faith, contest any such tax or assessment at its expense. However, Tenant shall defend itself and City against the same and shall pay and satisfy any judgment including all penalties and interest that may be rendered thereon. City may require Tenant to furnish City a surety bond or other security reasonably satisfactory to City in an amount equal to such contested tax or assessment, indemnifying City against liability for such tax or assessment and holding the Premises free from the effect of such tax or assessment. City shall cooperate with Tenant in any such contest and shall execute any necessary legal documents incident thereto, but shall be held harmless by Tenant against all costs or expenses incident to such cooperation. Current taxes shall be prorated as of the Effective Date.

13. Utilities, Trash & Refuse.

A. Utility services to the Premises shall be paid by City. City is not, and will not, be liable for any loss, damage or inconvenience to the Tenant by reason of shortage, insufficiency, suspension or discontinuance of electrical service or water service or the increase or decrease of water pressure.

B. It is agreed that the quick, efficient collection and disposal of trash, clippings and refuse from the Premises shall be at Tenant's own expense in accordance with applicable laws and ordinances.

C. Tenant shall not allow clippings, trimmings, cans, cartons, barrels, used equipment, scrap or other debris to collect in any way on or about the Premises; provided, however, that same may be stored in a suitably screened and protected enclosure pending collection and removal as long

as such storage does not generate odors, attract rodents or insects or become offensive in any manner.

d. Tenant shall prevent the entrance of petroleum products and other deleterious wastes into the sewage and storm water drainage systems serving the airport. Discharge of industrial waste and Hazardous Materials is prohibited. For discharge of anything other than domestic waste, Tenant must obtain permission or permits from Placer County Department of Public Works, Special District Division, or any other governmental unit or agency having jurisdiction over the discharge of wastes other than domestic waste, including, without limitation, Hazardous Materials.

14. Indemnification.

City shall not be liable to Tenant or any other person whomsoever for death or personal injury or for loss or destruction of, or damage to, property in, on or about the Premises and any improvement thereon, and upon the Effective Date of the Lease, Tenant shall, for the full term of this Lease, indemnify and save harmless City and its officers, agents and employees from and defend the same against any and all claims, liens, liability, expense (including attorneys' fees), losses and judgments arising from death or personal injuries or from the loss or destruction of, or damage to, property of any person whomsoever resulting from the acts, omissions or negligence of Tenant, Tenant's officers, agents, contractors, permittees or employees with respect to use of or Tenant's obligation to maintain the Premises and any improvements thereon.

15. Insurance.

A. Tenant shall obtain insurance coverage beginning on the Effective Date and continuing through the entire Lease term. The acceptable insurance shall be at least as broad as:
(i) Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001);
(ii) property insurance against all risks of loss to any tenant improvements or betterments; and

B. Tenant shall maintain limits no less than general liability \$1 million per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separate to this Lease or the general aggregate limit shall be twice the required occurrence limit.

C. Any deductibles or self-insured retention must be declared to and approved by City. At the option of City, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the City, its officers, officials, employees and volunteers; or Tenant shall provide a financial guaranty satisfactory to City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

D. The general liability policy is to contain, or be endorsed to contain, the following provisions:

(1) City, its officers, officials, employees and volunteers are to be covered as insured with respect to liability arising out of ownership, maintenance or use of that part of the Premises leased to Tenant.

(2) Tenant's insurance coverage shall be primary insurance as respects City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by City,

its officers, officials, employees or volunteers shall be excess of Tenant's insurance and shall not contribute with it.

(3) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled except after 30 days' prior written notice by mail, or after 10 days prior written notice by mail if cancellation is due to non-payment of premium, has been given to City.

E. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII.

F. Tenant shall furnish City with original certificates and amendatory endorsements effecting coverage required by this Section 16. All certificates and endorsements are to be received and approved by City before any work or improvements or alterations to the Premises commence. City reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

16. Inspection of Premises and Improvements.

Tenant shall permit the respective agents, employees or appointees of City to enter in and upon the Premises and all improvements thereon at all reasonable times for the purpose of inspecting the same.

17. Events of Default by Tenant.

Each of the following events shall constitute "an event of default of Tenant":

A. Tenant's failure to pay the rent herein fixed for the payment hereof;

B. Tenant's failure to pay any taxes, including possessory interest taxes or assessments agreed to be paid by Tenant in Section 12 of this Lease in accordance with the terms of said section;

C. Tenant attempt to make or allow to be made any subleasing, encumbrance, assignment or other transfer of the leased premises.

D. The failure of Tenant to abide by the terms, covenants or conditions as specified in Section 2.A.

E. Breach of Federal Requirements as specified in Section 29.

F. Tenant's failure, after 60 days' written notice from City, to keep, perform or observe any other term, covenant or condition of this Lease to be kept, performed or observed by Tenant;

G. Tenant's filing of a voluntary petition in bankruptcy, or the assignment of all, or substantially all, of Tenant's assets for the benefit of Tenant's creditors or the institution of proceedings in bankruptcy against Tenant or the appointment of a receiver of the assets of Tenant; provided, however, that if such proceedings or appointments are involuntary, then they shall not be considered an "event of default

by Tenant," unless Tenant fails to procure a dismissal thereof within 60 days after the institution of such involuntary bankruptcy proceedings or the appointment of such receiver.

18. Results of Tenant's Default.

Upon the occurrence of an "event of default of Tenant," and after 60 days' written notice from City, City, besides any other rights or remedies it may have, shall have as only allowed by law the immediate right of re-entry and may remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, Tenant. Should City elect to re-enter as herein provided, or should it take possession pursuant to any notice provided for by law, it may either terminate this Lease, relet the Premises and any improvements thereon or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as City, in its sole discretion, may deem advisable, with the right to make alterations and repairs to said Premises and improvements. Upon such reletting:

A. Tenant shall be immediately liable to pay to City, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting of such alterations and repairs incurred by City, and the amount, if any, by which the rent reserved in this Lease for the period of such reletting (up to, but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Premises for the period of such reletting; or

B. At the option of City, rents received by City from such reletting shall be applied: first, to the payment of any indebtedness other than rent due hereunder from Tenant to City; second, to the payment of any costs and expense of such reletting and of such alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by City and applied in payment of future rent as the same may become due and payable hereunder.

C. If Tenant has been credited with any rent to be received by such reletting upon Section 20.A, and such rent shall not be promptly paid to City by the new tenant, or if such rentals received from such reletting under Section 20.A during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to City. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the Premises and any improvements thereon by City shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant. Notwithstanding any such reletting without termination, City may, at any time thereafter, elect to terminate this Lease for such previous breach. Should City at any time terminate this Lease for any breach, City may, upon 60 days' written notice thereof, take title to Tenant's interest in any and all buildings and improvements on the Premises. The City may, at its option, extend said 60-day notice period for additional periods for purposes of possible settlement of any breach. City may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Premises and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term, all of which amounts shall be immediately due and payable from Tenant to City.

19. Nonwaiver of Defaults.

The waiver by City of any breach by Tenant of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or of any other term, covenant or condition of this Lease. No term, covenant or condition hereof can be waived except by the written consent of City and forbearance or indulgence by City, in any regard whatsoever, shall not constitute a waiver of the terms, covenants or conditions to be performed by Tenant to which the same may

apply, and until complete performance by Tenant of the term, covenant or condition, City shall be entitled to revoke any remedy available to it hereunder or by law, despite such forbearance or indulgence.

20. Subordination for Benefit of City.

If City desires this Lease to be subordinated to any mortgage, deed of trust or other encumbrance ("Fee Mortgage") now or hereafter placed upon the Premises by City, and all advances, whether obligatory or optional made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof, this Lease, at City's election, shall be subordinate to any such Fee Mortgage provided City first obtains from the lender a written agreement that provides substantially as follows: As long as Tenant performs its obligations under this Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the encumbrance, and no steps or procedures taken under the encumbrance, shall affect Tenant's rights under this Lease.

Subject to the foregoing, Tenant agrees to execute any documents required to effectuate such subordination, and failing to do so within 10 days after City's written request to Tenant therefore, does hereby irrevocably appoint City as Tenant's attorney-in-fact in Tenant's name to do so.

21. Tenant's Encumbrance.

Tenant may not encumber Tenant's interest in the Premises or in any improvements Tenant places thereon by mortgage, deed of trust or other instrument.

22. Rights Upon Termination.

If Tenant is not in default hereunder, Tenant shall have the right to remove only the trade fixtures which Tenant may have placed or installed upon the Premises during the term of the Lease; provided, however, that upon said removal, Tenant shall repair, at Tenant's own expense, any damage resulting therefrom. The term "trade fixtures" means those improvements, other than structures or structural modifications installed by Tenant, used for the conducting of Tenant's business and which can be removed without interference or damage to structures.

23. Subletting/Assignment.

A. Except as provided in Section 21 of this Lease entitled "Tenant's Encumbrance," Tenant may not sublease or assign all or any portion of the Premises or the Improvements constructed or installed on the Premises without the prior written consent of City, which consent shall not be unreasonably withheld. Any such sublease shall provide (i) such subleasing shall be subject to the terms of this Lease, (ii) such subleasing shall comply with all applicable statutes and regulations, (iii) all building improvements and alterations constructed on the Premises shall have been approved by City pursuant to Section 6 of this Lease, (iv) Tenant shall remain liable under this Lease; and (v) each sublease shall contain a provision satisfactory to City requiring the subtenant, if City shall so demand, to attorn to City if Tenant defaults under this Lease, and if the subtenant is notified of Tenant's default and instructed to make subtenant's rental payments to City, but City shall have no obligation to recognize the subtenant or to allow any subtenant to remain in possession upon the default of Tenant.

B. City's consent to an assignment of Tenant's interest in this Lease shall be conditioned upon (i) execution by Tenant and its assignee (the "Assignee") of an assignment and assumption agreement in form satisfactory to City, and (ii) payment by Tenant or Assignee of all state, local and any other excise, transfer or documentary taxes imposed, if any, as a result of the execution of such assignment.

C. If Tenant is a corporation or a partnership, any change in Tenant which would be a "change in ownership" pursuant to California Revenue and Taxation Code Sections 60, et seq., shall be deemed an assignment subject to City's consent. It shall not be unreasonable for City to withhold or condition its consent based on the prospective assignee's financial strength, experience in operating the type of business permitted, credit history or any other factor which City reasonably believes germane to a tenant's ability and willingness to perform the obligations of this Lease. No such assignment shall release Tenant of further liability under this Lease.

D. A fee will be charged by City for processing or approval of any sublease or assignment requested by Tenant including any and all administrative, legal and other costs reasonably incurred by City. The minimum charge by City for the review, processing or approval of such request shall be \$200.00.

24. Effect of Failure to Comply.

No encumbrance, assignment or other transfer, whether voluntary, involuntary, by operation of law, under legal process, through a receivership, bankruptcy or otherwise, shall be valid or effective without the prior written consent and approval of City. If Tenant attempts to make or allow to be made any subleasing, encumbrance, assignment or other transfer then any of the foregoing events shall be deemed a breach of the conditions and restrictions of this Lease, and upon such breach, City may, at its option, terminate this Lease at once by written notice, and upon such termination this Lease shall end and be of no further force.

25. Condemnation.

If, during the term of this Lease there is a taking, or transfer of, or damage to all or any part of the Premises (Premises as used herein shall include all appurtenant interests such as access rights) for a public use by any individual or entity, public or private, possessing the power of eminent domain, whether by condemnation proceedings or otherwise (hereinafter referred to as "appropriation"), the rights and obligations of City and Tenant with regard to such appropriation shall be governed by the provisions of this article.

A. The date of taking, as used in this article, is defined as the earliest of the following dates: (i) the date legal possession is taken, which is defined as the date, if any is established, after which the condemnor may take possession of the property as stated in an order authorizing the condemnor to take possession; (ii) the date a final order of condemnation or final judgment is filed or recorded or the date a deed is recorded in the event of a voluntary sale; and (iii) the date physical possession of the property is taken.

B. Total taking means an appropriation of the entire Premises or so much thereof as to prevent or substantially impair the conduct of Tenant's business unless Tenant elects to continue the Lease in effect. If during the term of this Lease there is an appropriation of the Premises which amounts to a total taking as herein defined, then the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the date of such taking, and all rentals and other charges

payable by Tenant to City hereunder and attributable to the Premises shall be paid up to the date of such taking.

C. The term "partial taking" shall mean the taking of a portion only of the Premises which does not constitute a total taking as defined above. If during the term of this Lease there shall be a partial taking of the Premises, this Lease shall terminate as to the portion of the Premises so taken at the date of taking as herein defined, but said Lease shall continue in force and effect as to the remainder of the Premises. The rental payable hereunder by Tenant shall, as of the date of taking, be adjusted so that Tenant shall be required to pay for the remainder of the term only such portion of such rent as the value of the part of the Premises remaining after the taking bears to the value of the entire Premises at the date of taking.

D. In the event the condemning agency shall abandon an eminent domain proceeding, either party hereto shall have the right to contest the condemnor's abandonment and a right to its respective costs and disbursements as defined and provided for in California law. If after the condemnor takes possession or the Tenant moves from the property sought to be condemned in compliance with an order of possession, the condemnor abandons the proceeding as to such property or a portion thereof, or if it is determined that the condemnor does not have authority to take such property or portion thereof by eminent domain and the condemnor is required by law to deliver possession of such property or such portion thereof to the party entitled to the possession thereof and pay damages as provided for in California law, then Tenant shall receive the award for costs and damages incurred by reason of Tenant being removed from possession of the Premises, but Tenant shall be entitled to retake possession of the Premises and, in the event of such repossession by Tenant, all of the terms of this Lease shall remain in operation and effect.

E. All compensation and damages awarded for the taking of the Premises or any portion thereof shall, except as otherwise herein provided, belong to and be the sole property of City. However, any award that may be made for the taking of or injury to the improvements, and all other improvements constructed by Tenant on the Premises shall be equitably apportioned between Tenant and City if, at the time of the taking, the expected useful life of the improvements extends beyond the Termination Date provided for in Section 4. Otherwise, Tenant shall be entitled to such award. Tenant shall be entitled to any award for damage to Tenant's business or on account of any cost or loss Tenant may sustain in the removal of Tenant's fixtures, equipment and furnishings, or as a result of any alterations, modifications or repairs which may be reasonably required by Tenant in order to place the remaining portion of the Premises not so condemned in a suitable condition for the continuance of Tenant's tenancy. Tenant shall also be entitled to that portion of any award that may be attributable to any severance damages to the remaining leasehold interest and to any improvements constructed by Tenant.

F. Each party shall bear his own costs, attorneys' fees, appraiser's fees and all other costs in connection with any matter contained in this article, except as may be otherwise provided.

G. Neither party hereto shall grant a right of entry to any condemnor without the written consent of the other party hereto.

26. Right to Amend.

In the event the Federal Aviation Administration requires modifications or changes in this Lease as a condition precedent to the granting of funds for the improvement of the airport, Tenant

agrees to consent to such amendments, modifications, revisions, supplements or deletions of any of the terms, conditions or requirements of this Lease as may be reasonably required to obtain such funds; provided, however, that in no event will Tenant be required, pursuant to this paragraph, to agree to an increase in the rentals provided for in this Lease or to a change in the use (provided such use is an authorized use hereunder) to which Tenant has put the Premises or to change which would substantially affect the rights of a mortgagee, beneficiary, payee or trustee registered with City and Corporation as provided in Section 23.

27. Compliance with Federal Requirements.

A. If applicable, Tenant, for itself, its heirs, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained or otherwise operated on the said property described in this Lease for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to (i) Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, or as said Regulations may be amended; (ii) Title 14, Code of Federal Regulations, Part 152, Subpart E, or as said Regulations may be amended; (iii) Part 77 of the Federal Aviation Regulations, or as said Regulations may be amended; and (iv) any and all federal laws, rules or regulations relating to the operations of Tenant on the Premises.

B. Tenant, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land: (i) that no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of or be otherwise subjected to discrimination in the use of said facilities; (ii) that in the construction of any improvements on, over or under such land and the furnishing of services thereon, no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of or otherwise be subject to discrimination; and (iii) that Tenant shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

C. That in the event of breach of any of the above nondiscrimination covenants, Landlord shall have the right to terminate the Lease and to reenter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of Title 49, Code of Federal Regulations, Part 21, are followed and completed, including expiration of appeal rights.

D. Tenant shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, that Tenant may be allowed to make

reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

E. Noncompliance with Section 29.D above shall constitute a material breach thereof and, in the event of such noncompliance, Landlord shall have the right to terminate this Lease and the estate hereby created without liability therefor or at the election of Landlord or the United States either or both said Governments shall have the right to judicially enforce provisions.

F. Tenant agrees that it shall insert Sections 29.A through 29.E in any lease agreement by which said Tenant grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises herein leased.

G. Tenant agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

H. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. Section 1349a).

I. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport or the exclusive or nonexclusive use of the Airport by the United States of America during the time of war or national emergency.

28. Estoppel Certificates.

City and Tenant shall, respectively, at any time and from time to time upon not less than 10 days' prior written request by the other, deliver to the requesting party an executed and acknowledged statement in writing certifying:

A. That this Lease is unmodified and in full force and effect (or if there has been any modification(s) thereof that the same is in full force and effect as modified, and stating the nature of the modification or modifications);

B. That to its knowledge the requesting party is not in default under this Lease (or if any such default exists, the specific nature and extent thereof), and

C. The date to which rent and other charges have been paid in advance, if any. Each certificate delivered pursuant to this section may be relied on by any prospective purchaser or transferee of the Premises or of City's or Tenant's interest hereunder or by any fee mortgagee of the Premises or of City's or Tenant's interest hereunder or by any assignee of any such mortgagee.

D. A fee will be charged by City for processing or approval of any estoppel certificate requested by Tenant including any and all administrative, legal and other costs reasonably incurred by City. The minimum charge by City for the review, processing or approval of such request shall be \$200.00.

29. Mediation/Arbitration.

All claims, disputes and controversies arising out of or in relation to the performance, interpretation, application or enforcement of this Lease, including, but not limited to, breach thereof ("Mediation/Arbitration Dispute"), except (a) the payment of rent, which Tenant acknowledges is an independent covenant not subject to offset or deduction, and (b) the matters described in Section 31.B (4), shall be decided under this Section 31 pursuant to mediation, and if necessary, arbitration. If Tenant defaults in the payment of rent, this Section 31 shall not apply and City may pursue any and all legal and equitable remedies provided by law, including, without limitation, an unlawful detainer action, writ of possession, and a money judgment for unpaid rent.

A. Mediation.

(1) Any Mediation/Arbitration Dispute shall be referred to mediation before, and as a condition precedent to, the initiation of any arbitration proceeding.

(2) The parties shall submit any Mediation/Arbitration Dispute to an impartial neutral mediator selected by mutual consent of the parties. In the event the parties cannot agree on the selection of a mediator, the Mediation/Arbitration Dispute shall be referred to JAMS/Endispute, a professional mediation service. The parties shall equally bear the cost of mediation fees, subject only to the exception set forth in the next paragraph.

(3) If during the mediation a party ("offering party") makes a written offer of compromise to another party which is not accepted by such party ("refusing party") and the refusing party fails to obtain a more favorable result through arbitration, the refusing party shall pay the offering party all costs and expenses, including reasonable attorney fees and the cost of the mediator and arbitrator, incurred from the time the offer is refused.

B. Arbitration.

(1) A Mediation/Arbitration Dispute which is not resolved through mediation, as set forth above, shall be decided by neutral, binding arbitration and not by administrative proceeding or court action, except as provided by California law for judicial review of arbitration proceedings. The arbitration shall be conducted in accordance with the rules governing the conduct of arbitration proceedings set forth in the California Code of Civil Procedure and the California Rules of Court. The parties may agree in writing to use different rules. The parties shall have the right to discovery in accordance with the provisions of the California Code of Civil Procedure. Judgment on any award of the arbitrator may be confirmed and entered by the court as provided for by California law.

(2) An arbitrator may be selected by mutual consent of the parties. If the parties cannot agree on selection of an arbitrator within 15 days from the date either party first requests arbitration, an arbitrator familiar with handling similar disputes shall be appointed by JAMS/Endispute. The cost of the arbitrator, arbitration costs and attorney fees shall be borne by the parties as may be determined by the arbitrator.

(3) Any demand for arbitration must be made in writing to the other party. No demand for arbitration may be made after the date on which the institution of legal proceedings based on the claim is barred by the applicable statute of limitations.

(4) The parties shall each have the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief, writ of attachment, writ of possession, temporary protective order, or appointment of a receiver if the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief or if there is no other adequate remedy. This application shall not waive a party's arbitration rights under this Lease.

(5) The arbitrator shall have the power to grant legal and equitable remedies, and award damages, that may be granted or awarded by a judge of the Superior Court of the State of California or the Federal District Court of the Eastern District of California. The arbitrator shall prepare and provide to the parties a written decision on all matters subject to the arbitration, including factual findings and the reasons that form the basis of the arbitrator's decision. The arbitrator shall not have the power to commit errors of law or legal reasoning and the award of the arbitrator shall be vacated or corrected for any such error or any other grounds specified in Code of Civil Procedure Section 1286.2 or Section 1286.6. The award of the arbitrator shall be mailed to the parties no later than 30 days after the close of the arbitration hearing. The provisions of the California Evidence Code shall apply to the arbitration hearing. The arbitration proceedings may be recorded by a certified shorthand court reporter. The party requesting a reporter shall pay for the reporter and if both sides request a reporter, the cost of the reporter shall be divided equally. Written transcripts of the proceedings may be prepared at the request of a party. A party requesting a transcript shall pay for the cost thereof.

30. Consent Not to be Unreasonably Withheld.

Whenever the consent, approval or permission is required hereunder by either Tenant or City, such consent, approval or permission is not to be unreasonably withheld.

31. Use of Airport.

The Tenant, in the operations and use of the Auburn Municipal Airport, will not on the grounds of race, color or national origin discriminate or permit discrimination against any person or group of persons in any manner prohibited by Part 15 of the Federal Regulations. The City of Auburn is granted the right to take such action as the United States government may direct to enforce such covenant.

32. Relationship Between the Parties.

City is neither a joint venturer with nor a partner or association of Tenant with respect to any matter provided for in this Lease. Nothing herein contained shall be construed to create any such relationship between the parties or to subject City to any obligation of Tenant hereunder.

33. Time of the Essence.

Time is of the essence of this Lease.

34. Lease Made in California.

This Lease has been made and shall be construed in accordance with the laws of the State of California. All duties, obligations and liabilities of City and Tenant with respect to the Premises are expressly set forth herein and this Lease can only be amended in writing.

35. Headings.

The headings contained herein are for convenience of reference and are not intended to define or limit the scope of any provisions of this Lease.

36. Notices.

All notices to be given hereunder shall be in writing and shall be deemed given when received in the United States mail, postage prepaid, certified or registered, addressed as follows, or to such other address as from time to time may be designated by a party by written notice to the other parties:

- | | |
|---|---|
| <p>A. City of Auburn
Office of City Manager
1225 Lincoln Way
Auburn, CA 95603</p> | <p>B. "Tenant"
John Crawford
dba Sierra Air Helicopters, LLC
2409 Rickenbacker
Auburn, CA 95602</p> |
|---|---|

37. Surrender and Merger.

The voluntary or other surrender or termination of this Lease by Tenant or a mutual cancellation thereof shall not work a merger and shall, at the option of City, terminate all or any existing subleases or subtenancies or may, at the option of City, operate as an assignment to City of all such subleases or subtenancies.

38. Successors and Assigns.

Subject to the terms and conditions of Section 25 hereof, the provisions of this Lease shall bind and inure to the benefit of the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

“CITY”

“TENANT”

CITY OF AUBURN, CALIFORNIA, a
Municipal Corporation

John Crawford, dba Sierra Air
Helicopters, LLC

By: _____
Tim Rundel
City Manager

By: _____
Its: Owner
Name: John Crawford

APPROVED AS TO FORM:

Michael Colantuono, City Attorney

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RESOLUTION NO. 14-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AUBURN
APPROVING THE COMMERCIAL OFFICE SPACE LEASE FOR JOHN CRAWFORD,
DBA SIERRA AIR HELICOPTERS, LLC

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

That the City Council of the City of Auburn hereby authorizes the City Manager or his designee to approve the Commercial Lease assignment between the City of Auburn and John Crawford, DBA Sierra Air Helicopters, LLC and authorize the execution of all related documents.

DATED: June 9, 2014

Bridget Powers, Mayor

ATTEST:

Stephanie L. Snyder, City Clerk

I, Stephanie L. Snyder, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 9th day of June, 2014 by the following vote on roll call:

- Ayes:
- Noes:
- Absent:

Stephanie L. Snyder, City Clerk

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